BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY to issue, sell, and deliver one or more series of Debt Securities and to guarantee the obligations of others in respect of the issuance of Debt Securities, the total aggregate principal amount of such long-term indebtedness and guarantees not to exceed $2 billion; to execute and deliver one or more indentures; to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property; to issue, sell and deliver in one or more series, an aggregate amount not to exceed $200 million par or stated value of First Preferred Stock -- $25 Par Value; to issue an aggregate $2.0 billion of short-term debt obligations; to utilize various debt enhancement features; enter into interest rate hedges; and for an exemption from the Commission's Competitive Bidding Rule. (U 39 E)	Application 04-05-041 (Filed May 27, 2004)

NOTIFICATION UNDER ORDERING PARAGRAPH 5 OF DECISION 06-11-006

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Dated: July 3, 2012

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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NOTIFICATION UNDER ORDERING PARAGRAPH 5
OF DECISION 06-11-006

Pursuant to Ordering Paragraph 5 (OP 5) of Decision (D.) 06-11-006, Pacific Gas and Electric Company (PG&E) submits this notice that margin calls not offset by other hedges exceeded $600 million on July 2, 2012. OP 5 states (modified 1/11/2008 in D.08-01-010):

> PG&E shall file and service notice when margin calls that are not offset by other hedges reach $300 million, $600 million, $900 million, and each $300 million increment thereafter for the first time in each calendar quarter. The notice shall include (i) the potential per-customer impact of the margin calls, (ii) an estimate of the likelihood of higher margin calls, and (iii) a description of the steps that PG&E has taken or will take to mitigate the ratepayer impact of the margin calls. PG&E shall file and serve the notice within five business days of the margin calls reaching the previously specified levels. The notice shall be served on the service lists for (i) the consolidated proceedings in which D.06-08-027 was issued, (ii) Application No. 06-05-007, and (iii) PG&E

> Advice Letter 2685-E, which was approved in Resolution E-3951. Once margin calls not offset by other hedges have reached a given threshold identified above, and PG&E has filed and served the notice required in the first sentence of this ordering paragraph, no additional notification is required if PG&E subsequently passes the same threshold again within the same calendar quarter.

On July 2, 2012, margin calls subject to OP 5 notification exceeded $600 million. The total amount of collateral posting for margin calls on that day was approximately $646 million. The posting of collateral for margin calls, by itself, has no significant impact on the customer, other than the financing costs associated with posting cash or letters of credit. These costs depend on how long the collateral is outstanding and the type of financing used. For example, if letters of credit were used to post $300 million, the fee for the letters of credit would be approximately $9,583 per day at present. However, if $300 million were posted through short-term borrowing using commercial paper, the financing cost would be lower and differ accordingly. Currently, this financing cost based on a 1 month commercial paper rate is approximately $3,833 per day. These fees by themselves would have a negligible per-customer impact.

Over a given time horizon, energy prices will increase or decrease; each of these two possibilities has substantial probability. The size of the price change depends on a number of factors impacting the energy market. Therefore, there is a reasonable likelihood of further margin calls.

By itself, collateral posting for the margin calls have negligible impact on customer costs, as indicated above. In addition, on September 23, 2010, the Commission adopted Resolution E-4362, approving PG&E's request for changes to PG&E's confidential Hedging Plan. Furthermore, on January 12, 2012, the Commission approved a modified Electric Portfolio Hedging Plan, as part of the Commission's approval (D. 12-01-033) of PG&E's Bundled Procurement Plan in Track II of the 2010 Long-Term Procurement Proceeding (LTPP).

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With Resolution E-4362 and D. 12-01-033 and actions by PG&E associated with implementation of the confidential Hedging Plan, no further plan is needed to mitigate the ratepayer impact of margin calls.

Respectfully submitted,

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By: /s/ Shirley A. Woo
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